

Basic Facts and Background Information on H.R. 4655
The Patriotic Employers of Guard and Reservists Act of 2004

- Since September 11th, more than 350,000 members of the National Guard and Reserves have been called to active duty, and the Pentagon increasingly relies on the Army, Navy and Air Force Reserves and our National Guard to achieve its missions. Currently, over 170,000 are serving on active duty in Iraq, Afghanistan and elsewhere. President Bush recently activated an additional 47,000 reservists. Not since World War II have so many National Guard members been called to serve abroad.
- The U.S. Chamber of Commerce estimates that 70 percent of military reservists called to active duty work in small- or medium-size companies.
- Most Guard and Reservists are serving extended tours of duty and have been deployed for longer periods than they, their families, or their employees expected. The continuing, extended activation of Guard and Reserve members has imposed a tremendous burden on many companies, small businesses and manufacturers, as well as placing an undue financial burden on families already suffering the absence of a loved one. Currently, more than 41 percent of military Reservists and National Guard members face a pay cut when they are called to active duty.
- In January, the Commander of the Army Reserve, Lt. General James R. Helmly, warned of a recruiting-retention crisis in the future for the National Guard and Reserves. A recent U.S. military questionnaire of returning Army National Guard soldiers projected a resignation rate of double what it was in November 2001. From October to December 2003, almost one-quarter of National Guard members who have had the opportunity to re-enlist have opted not to do so. Recently, the U.S. Army developed a plan to pay reservists up to \$10,000 to re-enlist in order to stop a developing program.
- H.R. 4655 encourages all employers, especially small businesses, to pay their reservist employees when they face a reduction in salary due to their military activation. Employers who continue to pay their reservists all or part of their civilian salary will be eligible to receive a tax credit up to \$15,000 of the wages they pay per employee who has been called up to active duty by the National Guard or Reserves for as long as the reservists is on active duty status (up to a maximum of two years).
- Additionally, many small employers currently have a difficult time hiring and training temporary workers to fill the temporary vacancies caused by employees called to active duty. H.R. 4655 provides a tax credit of 50 percent up to \$6,000 to help companies defray the costs of hiring and training a replacement worker, and up to \$10,000 for small manufacturers.
- The Joint Committee on Taxation estimates this measure would cost \$2 billion through FY 2014, or approximately \$200 million annually; \$1.2 billion of those costs would occur in FY 2005 through FY 2009, given the current unusually large-scale and extended deployments of National Guard and Reserve forces.
- The proposal to provide tax credits to employers and close the pay-gap for Reservists and National Guardsmen is supported by the United States Conference of Mayors, the National Guard Association of the United States, and the Reserve Officers Association of the United States.